



OFFICE OF THE PUBLIC AUDITOR  
**EXECUTIVE SUMMARY**

Submission of FY 2008 2<sup>nd</sup> Quarter Financial Reports  
Report No. 08-05, August 2008

The Office of the Public Auditor (OPA) is required to review the submission of government of Guam entities quarterly reports as mandated by Public Law (P.L.) 29-19, the fiscal year (FY) 2008 Budget Act. For the FY 2008 2<sup>nd</sup> quarter<sup>1</sup> report submissions there were 49 out of 58 entities, or 84% complied. Nine entities, or 16%, did not comply with all three reporting requirements. Thirteen entities did not comply in the 1<sup>st</sup> quarter of FY 2008.

The penalty for non-compliance is a 20% salary reduction to agency Directors, Deputy Directors, and Chief Financial Officers. As of July 2008, this penalty has yet to transpire to a single salary reduction for non-compliance although OPA has reported non-compliance in prior reports for the 1<sup>st</sup> quarter of FY 2008 and the 3<sup>rd</sup> and 4<sup>th</sup> quarters of FY 2007.

P.L. 29-19 also mandated 58 entities to submit various reports. Entities were required to report in three reporting formats: written, electronic, and website posting. Aside from this, there were 41 special reports, as opposed to 31 in FY 2007, required by various agencies. Every autonomous and semi-autonomous entity were also required to report all revenues and expenditures on a monthly basis and posted on their website. The prior obligation reports were not required by the FY 2008 Budget Act. More specifically, the following reports include:

- 1) Financial Reports (due 30 days after the quarter end for all 58 entities);
- 2) Staffing Patterns (due 30 days after the quarter end for 55 entities)<sup>2</sup>;
- 3) Non-Appropriated Funds Reports (due 30 days after the quarter end for 17 entities);
- 4) Non-Profit Organization Reports (due 30 days after the quarter end for 4 entities);
- 5) Special Reports (41 special reports due at various dates for 21 entities);
- 6) Autonomous and Semi-Autonomous Entities' Monthly Revenue and Expenditures Reports (no due date for 15 entities).

### **Financial Reports**

All 58 entities, or 100%, submitted a written financial report. However, DMHSA did not submit the financial reports electronically or post them on their website.

### **Staffing Patterns**

Of the 55 entities, 52 entities complied with the staffing pattern reporting requirements for the 2<sup>nd</sup> quarter, while the remaining three entities (BSP, DMHSA, and GEC) complied with at least one but not all three reporting requirements.

### **Non-Appropriated Funds (NAF) Reports**

Of the 17 entities with NAF accounts, 14 entities complied with the reporting requirements for the 2<sup>nd</sup> quarter. DMHSA, GEC, and VAO did not submit any NAF report.

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<sup>1</sup> Period between January 1, 2008 through March 31, 2008.

<sup>2</sup> The staff of the Guam Board of Accountancy, the Guam Preservation Trust, and the Public Utilities Commission are not government employees.

### **Non-Profit Organization (NPO) Reports**

Three of the four overseeing entities required to report on their NPO activities complied with the reporting requirements. The three overseeing entities that complied are the AGR, DYA, and JOG. DMHSA continues to be non-compliant by not submitting the NPO report electronically and not posting the report on its website.

### **Special Reports**

In the 2<sup>nd</sup> quarter, 28 special reports were due from 17 entities.<sup>3</sup> Of the 17 entities, 13 entities complied with the reporting requirements. DMHSA, GMHA, GSC, and the Governor's Office did not submit all the required reports.

### **Autonomous and Semi-Autonomous Monthly Revenue and Expenditures Reports**

All 15 autonomous and semi-autonomous entities are required to submit monthly revenue and expenditure reports and post the reports on their respective websites. However, no due date was specified. Of the 15 entities, 12 entities complied with the reporting requirements. Of the three remaining entities, the GIAA did not submit any reports, and GMHA and GVB met at least one of the three reporting requirements.

### **OPA Suggestions**

The magnitude of reporting requirements continues to increase with each Budget Act. The OPA continues to devote time and its limited resources to report compliance with the law. Due to the number of reports, the OPA may have inadvertently overlooked the submissions of reports by certain entities. If an entity was compliant in a particular reporting format, the entity should provide evidence of their submissions. OPA will review and if found to be correct, it will be reported in the 3<sup>rd</sup> quarter. To be more efficient in the reporting process, the OPA suggests the Legislature task BBMR, DOA, and/or OFB to report compliance of quarterly report submission in the upcoming quarters, eliminate the requirement to submit written and electronic reports, and require only website postings to simplify the financial reporting process.

We also suggest uniform reporting deadlines, whether monthly or quarterly, be reported 30 days at month end or quarter end. The Budget Act for each year has increased the reporting requirements and government entities have gradually struggled to comply with all the various reporting requirements and formats. Reporting has also become inconsistent because of the lack of uniformity in reporting due dates. These changes would result in cost savings by reducing the amount of paper and man-hours and will minimize confusion for the government of Guam entities.

While we applaud the Legislature for continuing to advocate regular financial reporting in the use of public funds, financial reporting does not just cover the act of reporting, but also the analysis of these reports. To be more effective in the reporting process, we suggest the Legislature task OPA with analyzing the data rather than identify compliance with report submissions. We understand that financial reporting is an important part of government accountability, however, the OPA can better serve the Legislature and the administration by providing analysis of these reports, i.e. revenues to date versus budgeted, expenditures to date versus budgeted.

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<sup>3</sup> Seven reports were not yet due, five reports did not have a due date, and one report was not required because the Education Suruhanu was not yet appointed.